85-1925

Supreme Court, U.S.
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NO.

in the Supreme Court of the United States

OCTOBER TERM 1985

CEMENTCRAFT, INC.

Petitioner,

vs.

CONCRETE UNLIMITED, INC. and
CARLOS PASCUAL,

Respondents.

Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

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64 pp

QUESTION PRESENTED

WHETHER THE PRESUMPTION OF PATENT VALIDITY (PATENTABILITY) UNDER 35 USC §282 PREVENTS A COUNTERCLAIM FOR UNFAIR COMPETITION AGAINST A PATENTEE WHO HAS ACTUAL KNOWLEDGE THAT HIS PATENT IS INVALID AND UNENFORCEABLE, AND WHO ENFORCES THE PATENT AGAINST THIRD PARTIES IN ORDER TO TAKE BUSINESS AWAY FROM THE COUNTERCLAIMANT/DEFENDANT, PROVIDED OTHER ELEMENTS NECESSARY TO AN UNFAIR COMPETITION CASE ARE PRESENT.

TABLE OF CONTENTS

	Page
Question Presented	i
Table of Contents	ii
Table of Authorities	iii
Opinions Below	2
Statement of Jurisdiction on Appeal	2
Statutory Provisions Involved	3
Statement of the Case	6
Statement of Jurisdiction in the Court of First Instance	11
Argument	11
Appendix Table of Contents	App. 1, 2

TABLE OF AUTHORITIES

Page

Blonder-Tongue Lab, Inc. v. Univ. of Illinois Foundation, 402 U.S.313 (1971) 16, 17

Etter, In Re, 756 F.2d 852 (Fed.Cir. En Banc (1985) 13

J.P. Stevens & Co., v. Lex Tex Ltd., Inc., 747 F.2d 1553 (Fed.Cir. 1984) 14

Medtronic v. Cardiac Pacemakers, Inc., 721 F.2d 1563 (Fed.Cir. 1983) 13

Patlex Corp. v. Mossinghoff, 758 F.2d 594, 605 (Fed.Cir. 1985) 13

Precision Instrument Mfg. Co. v. Automotive Maintenance Machinery Co., 324 U.S. 806 (1945) 15, 16

SSIH Equipment S.A. v. U.S. International Trade Comm., 718 F.2d 365 (Fed.Cir. 1983) 13

Triplet v. Lowell, 297 U.S. 638 (1936) 17

Walker Process Equipment, Inc. v. Food Machinery and Chemical Corp., 382 U.S. 172 (1965) 12

TABLE OF AUTHORITIES (Continued)

Statutes **Page**

35 U.S.C. §282 ..... 3, 11, 12, 13

Other Authorities

Callman Unfair Competition, Trademarks and Monopolies,
Sec. 2.32, 4th Edition (1981) 15

77th Cong. 1st sess. Exhibit No. 2794, p. 249 15

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Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

BRIEF OF PETITIONER

OPINIONS BELOW

District Court:

Concrete Unlimited, Inc. v. Cementcraft, Inc., Case No.: 81-6083-Civ-Gonzalez. (Southern District of Florida 1985). Entered January 3, 1985.

Appellate Court:

Concrete Unlimited, Inc. and Carlos Pascual v. Cementcraft, Inc., Appeal No. 85-2029, ____ F.2d ____, 227 USPQ 784 (CAFC 1985), rehearing denied.

JURISDICTIONAL STATEMENT

Judgment was decided and entered in the United States Court of Appeals for the Federal Circuit on November 14, 1985, affirming in part and reversing in part the judgment of the United States District Court for the Southern District of Florida, entered January 3, 1985. A petition for rehearing and a suggestion for rehearing en banc were denied on February 18, 1986.

Jurisdiction to review the judgment in question by writ of certiorari is conferred on this Court by 28 USC §1254(1).

Jurisdiction was conferred on the Court of Appeals for the Federal Circuit to review the District Court's final judgment by 28 USC §1295(a)(1).

STATUTES

35 USC 282

"A patent shall be presumed *valid*. . . .

The following shall be defenses in any action involving the validity or infringement of a patent and shall be pleaded:

(1) Noninfringement, absence of liability for infringement or unenforceability,

(2) *Invalidity* of the patent or any claim in suit on any *ground specified* in part II of this title as a condition for patentability,

(3) *Invalidity* of the patent or any claim in suit for *failure to comply* with any requirement of sections 112 or 251 of this title,

(4) Any other fact or act made a defense by this title. . . ." (emphasis added)

35 USC

"*PART I*—PATENT AND TRADEMARK OFFICE

Chap.		Sec.
1.	Establishment, Officers, Functions	1
2.	Proceedings in the Patent and Trademark Office	21

3. Practice Before the Patent and Trademark Office 31

4. Patent Fees 41

PART II—PATENTABILITY OF INVENTIONS AND GRANT OF PATENTS

10. Patentability of Inventions 100

11. Applications for Patent 111

12. Examination of Applications 131

13. Review of Patent and Trademark Office Decisions 141

14. Issue of Patent 151

15. Plant Patents 161

16. Designs 171

17. Secrecy of Certain Inventions and Filing Applications Abroad 181

18. Patent Rights in Inventions Made with Federal Assistance 200

PART III—PATENTS AND PROTECTION OF PATENT RIGHTS

25. Amendments and Correction of Patents *251*

26. Ownership and Assignment 261

27. Government Interests in Patents 266

28. Infringement of Patents 271

29. Remedies for Infringement of Patent and Other Actions 281

30. Prior Art Citations to Office and Reexamination of Patents 301

PART IV—PATENT COOPERATION TREATY

35. Definitions 351

36. International Stage 361

37. National Stage 371

(emphasis added)

STATEMENT OF THE CASE

The Petitioner and Respondents were competitors both prior to and during this law suit, (App. 13, 20, Finding 9). The Respondent Carlos Pascual, one of the inventors, assigned his patent rights to the Respondent Concrete Unlimited, Inc. (App. 13, 19-20, Finding 7 and 8). Carlos Pascual was also president of Concrete Unlimited, Inc. The competing parties manufactured and installed concrete railing assemblies in the State of Florida.

The Petitioner was asked by a contractor to supply the Respondents' type of balcony railings. The contractor asked the Petitioner to supply the balcony railings because of problems with the Respondent's balcony railing materials, (App. 13, 30, Finding 50 and 51). Thereafter, the Petitioner supplied the balcony railings to the contractor.

The Respondents had rights in certain balcony railing patents, the subject matter of which was made public more than one year prior to filing the patent applications. No disclosure was made of the public use at Coral Ridge Towers in the application. The public use at Coral Ridge Towers was not insignificant; it was a prominent 15-story high-rise building in Respondents' own county utilizing the same subject matter as the patent in suit, (App. 13, 25, Finding 31). The Respondents deposited the plans for the Coral Ridge balcony railings with the Fort Lauderdale Building and Zoning Department more than one year prior to filing the patent application. Carlos Pascual knew, prior to filing this suit in the District Court for the Southern District of Florida, that the subject matter of the patented balcony railings was

in the public domain at the time of filing the patent applications, (App. 13, 25, Finding 34). The Respondents did not enter evidence of good faith in regard to the nondisclosure of the Coral Ridge balcony railings, (App. 13, 25-26, Findings 33 and 37).

The Respondents knowing that the subject matter of the patent was in the public domain, sued the Petitioner and third party purchasers of these balcony railings (Defendants Meadowbrook Lakes Construction, a developer and Montella Construction Co., a general contractor), (App. 13, 30, Finding 53). During discovery, and after an extensive search of buildings in South Florida and of building departments in virtually every city throughout South Florida, Petitioner located the Coral Ridge high-rise and the plans for the Coral Ridge balcony railings filed in the Fort Lauderdale Building and Zoning Department, a public office, more than one year prior to filing of the parent patent application,[1] (App. 13, 24-25, Finding 30). Petitioner then showed this evidence of prior use to Respondents, who failed to act thereon and continued prosecution of the lawsuit. The Coral Ridge balcony railing subsumed the patent claims at issue, with one slight difference being only an obvious matter of choice. (App. 13, 27-28, Finding 40). The Respondents did not allege that the Coral Ridge balcony railing was overlooked. (App. 13, 25, Finding 32). The Respondents did not disclose the accurate facts or the untrue or misleading assertions. (App. 13, 26, Finding 37).

The acts of unfair competition are found in the Respondents' suit against the Petitioner and third party

[1]35 USC 102(b)

purchasers. In spite of the knowledge of the Respondents, (App. 13, 32, Finding 60), they carried out their scheme of unfair competition against the Petitioner by filing the instant lawsuit on a clearly unenforceable patent, (App. 13, 33, Finding 61). This suit was also filed against the third party purchasers (Defendants Meadowbrook and Montella). But for the patent infringement suit against the third party purchasers (Defendants Meadowbrook and Montella), the Petitioner would have supplied the balcony railing products to the third party purchasers (Defendants). Instead, the Respondents acquired the contract by settlement of the suit between the Respondents and the third party purchasers (Defendants Meadowbrook and Montella), (App. 13, 31, Finding 58). The suit against the third party purchasers (Defendants Meadowbrook and Montella), and its settlement, unfairly took present and prospective work from the Petitioner. Thereafter the Respondents continued to use and enforce the clearly unenforceable patent against the Petitioner. The Respondents prevented the Petitioner from carrying on its business, (App. 33, Finding 62).

By the various unfair acts the Petitioner was damaged in the amount of $150,000.00. (App. 13-14, Paragraph 9, Conclusion 14). The District Court found that the Respondent continued the fraud on the District Court itself. (App. 13, 32-33, Finding 60).

The Court of Appeals for the Federal Circuit stated that there was no unfair competition because the Respondents "did only what any patent owner has a right to do to enforce its patent", (App. 8-9). The Respondents did much more than what a duty bound patent holder would do in wrongfully enforcing an

unenforceable patent. They knowingly and willfully damaged the Petitioner, as clearly set forth in the findings of fact and conclusions of law (which were deemed to be findings of fact) none of which were found clearly erroneous by the Court of Appeals for the Federal Circuit.

The District Court entered judgment in favor of the Petitioner (Defendant therein), in particular: (1) Respondents' patent ('028 patent) is invalid as being obvious under 35 USC 103 in view of Respondents' prior public use; (2) the evidence failed to establish that Respondents "committed fraud by knowingly misrepresenting facts *to the Patent and Trademark Office* with the *intent* to deceive *said Office*" (emphasis added) (ruling out common-law type fraud but *not* ruling out inequitable conduct). This finding did not in any way affect the District Court's finding that Respondents engaged in knowing and willful acts of Unfair Competition with malicious intent, and that "such acts are outrageous conduct injuring Defendant [Petitioner] and this Court". (App. 38-39, Conclusion 18); and (3) Respondents "did engage in unfair competition by *knowingly* and *intentionally* taking business away from Cementcraft [Respondent] based upon an invalid [read *known invalid* or *unenforceable* in view of Judge Gonzalez's finding of no common law type fraud in the Patent and Trademark Office] patent." (App. 12) (emphasis added).

The finding of law that is most pertinent to this petition regards the conduct of Respondents during the litigation. This conduct which was the basis for the judgement of unfair competition, reads as follows:

> "18. The Plaintiffs are guilty of knowingly, willfully and with malicious intent committing

> acts of unfair competition by use of a fraudulently obtained U.S. Patent No. 3,617,028 and continuing this infringement suit on an obviously fraudulently obtained patent when it had a continuing obligation to disclose same to the Patent Office. Such acts are outrageous conduct injuring the Defendant and this Court." (App. 13, 38-39, Conclusion 18)

The District Court expressly adopted Conclusion of Law 18, with a caution as to Respondents' conduct before the Patent and Trademark Office but *not* before the District Court. The Court of Appeals for the Federal Circuit (CAFC) did not discuss that conclusion in reversing the unfair competition judgment. Rather, the CAFC held that, "[C]oncrete Unlimited *had the right* to exclude others from making, using and selling the invention and *to enforce* those rights *until* the '028 patent was *held invalid*." 227 USPQ 784, 785 (Fed. Cir. 1985). (emphasis added).

The District Court's final judgment adopted (with the aforementioned cautionary language) all findings relating to Respondents' conduct in bringing and continuing the lawsuit, namely that Respondents are guilty of knowingly, willfully and with malicious intent committing acts of unfair competition. The Court of Appeals, however, applied the procedural presumption of validity, a patent statute, to reverse a substantive claim for unfair competition, without addressing or reversing the facts upon which the unfair competition judgment was based.

STATEMENT OF JURISDICTION IN THE COURT OF FIRST INSTANCE

Jurisdiction of this lawsuit was conferred upon the Federal District Court by 28 USC §1338.

ARGUMENT

THE PRESUMPTION OF PATENT VALIDITY (PATENTABILITY) UNDER 35 USC §282 DOES NOT GOVERN A COUNTERCLAIM FOR UNFAIR COMPETITION AGAINST A PATENTEE WHO, KNOWING THAT HIS PATENT IS INVALID AND UNENFORCEABLE, ENFORCES THE PATENT AGAINST THIRD PARTIES IN ORDER TO TAKE BUSINESS AWAY FROM THE COUNTERCLAIMANT/DEFENDANT.

The opinion of the Federal Circuit correctly crystalized the conclusion of the District Court, that Respondents were " 'Guilty of acts of unfair competition by taking business away from the Defendant by threats and infringement actions [including those against third party purchasers] based on the fraudulently obtained patent.' " (App. 8). The Circuit Court overruled this conclusion because the patent was adjudged invalid only *after* trial, while its enforcement naturally occurred beforehand. The Court held that the patent could be enforced " . . . *until* . . . [it] . . . was held invalid." (App 8).

The holding below is in conflict with the holding of this Court in *Walker Process Equipment, Inc. v. Food*

Machinery and Chemical Corp., 382 U.S. 172 (1965). The question presented in *Walker Process* was whether a counterclaimant could base an action under the Sherman Antitrust Act upon the enforcement of a fraudulently obtained patent. This Court held that it could, assuming that it satisfied the other elements required by Section 2 of the Sherman Act.

The Federal Circuit has now held that acts which closely parallel[2] those of the patentee in *Walker Process*, *supra*, *may not* be the basis of an action for unfair competition. The Court based this holding on the presumption of patent validity, *35 USC §282*. In so doing, the Court has expanded a statutory procedural device into substantive law and given the patent holder an additional Court created property right not granted by Congress.

The presumption is a procedural requirement in patent trials involving a defense of invalidity. "The presumption of validity afforded by 35 USC §282 does not have independent evidentiary value. Rather the presumption places the burden of persuasion, upon the party asserting invalidity." *SSIH Equipment S.A. v. U.S. International Trade Comm.*, 718 F.2d 365 (Fed. Cir. 1983). "The presumption like all legal presumptions, is

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[2]The facts herein and in *Walker Process* are almost identical. Both involved plaintiffs who had *themselves* publically used the invention more than one year before patent application, thus making it invalid for obviousness. Both failed to disclose this to the Patent Office. Both sought to take business away from competitiors through the patent power. Both had knowledge of patent invalidity and unenforceability. Both were apprised of this again during discovery. The only difference is the plaintiff in *Walker Process* had the sense to seek dismissal of its complaint.

a procedural device, not substantive law." *In Re Etter*, 756 F.2d 852 (Fed. Cir. En Banc 1985) ". . . The presumption is operative to govern procedure in *litigation* involving validity of an issued patent." *In Re Etter, supra.* The Circuit Court has now enlarged the intended purpose of the statute as revealed by its statement that: "The '028 patent *carried* a presumption of validity *into* this litigation . . ." (App. 8) (emphasis added). There is no reason, nor is there any statute, to *presume* a patent valid outside of litigation.[3] A patent simply exists as a property right of the patentee. The presumption under 35 USC §282, however, is only a procedure *to govern litigation.* It is not a property right subject to the protection of the Constitution. *Patlex Corp. v. Mossinghoff*, 758 F.2d 594, 605 (Fed. Cir. 1985).

A reading of 35 USC §282 shows the purpose for the presumption: First the presumption itself establishes the burden of persuasion. Then, in subsections (2) and (3), only two distinct bases for establishing invalidity are allowed a Defendant. Subsection (1), on the other hand, provides defenses which are unrelated to validity and thus, unrelated to the presumption. The defense of unenforceability is contained in subsection (1). Nevertheless, the Circuit Court has expanded the presumption of validity to pre-empt a counter claim for the consequences of enforcement of a *known* invalid and unenforceable patent. It held: "Concrete Unlimited had the right to *enforce* its rights *until* the patent was

[3]Indeed, even in litigation a court need not declare a patent valid, but rather, find simply that the challenger has not met his burden of overcoming the presumption. *Medtronic vs. Cardiac Pacemakers, Inc.*, 721 F.2d 1563 (Fed.Cir. 1983).

held invalid." This holding was based on the presumption of validity.

The trial court found the existence of "inequitable conduct"[4] as opposed to "common law fraud" in Respondent's conduct before the Patent Office, and found knowing and intentional (i.e.: common law type) fraud in Respondent's conduct before the District Court. Inequitable conduct before the Patent and Trademark Office results in *unenforceability* of all patent claims. *J.P. Stevens & Co., Inc. v. Lex Tex Ltd., Inc.*, 747 F.2d 1553 (Fed. Cir. 1984).

The trial court found that Respondents knew the patent was invalid and thus unenforceable; regardless, they commenced and maintained the infringement suit. As a result of the Federal Circuit's application of the presumption of validity in this type of situation, a patentee who knows his patent was inequitably procured and *knows* his patent is statutorily invalid can hide behind the presumption of validity and knowingly and willfully compete unfairly and even commit fraud on the courts *until such time* as a final judgment renders the patent invalid.

> "Resort to a legal remedy against a competitor differs somewhat from the [other] types of direct

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[4]The actual words 'inequitable conduct" do not appear in the District Court's Findings and Conclusions since, as of the time of trial and submission of all postrial Findings, Conclusions and Memoranda the seminal case of *J.P. Stevens v. Lex Tex Ltd., infra.*, had not been decided. Nevertheless a reading of the Court's Findings and Conclusions make it clear that it found inequitable conduct explained in *J.P. Stevens & Co.*

attack . . . It is frequently less attributable to the desire to settle an existing controversy than to bring an opponent to terms. This is often true of patent suits. Though in one respect it may be a competitive proceeding involving a direct attack, it is legally authorized. If, however, the suit is used as 'a deliberate weapon of business aggression rather than an instrument" for adjudicating honest disputes,"[5] then it is, in fact, an unfair method of competition. But the mere resort to procedural technicalities in litigation should not be considered a wrong." *Callman Unfair Competition, Trademarks and Monopolies*, Sec. 2.32, 4th Edition (1981).

Patent suits are special. Enforcement of patents are ". . . matters concerning far more than the interests of the adverse parties. The possession and assertion of patent rights are issues of great moment to the public . . . a patent by its very nature is affected with a public interest. As recognized by the Constitution, it is a special privilege . . . At the same time, a patent is an exception to the general rule against monopolies and to the right to access to a free and open market. The far-reaching social and economic consequences of a patent, therefore, give the public a paramount interest in seeing that patent monopolies spring from backgrounds free from fraud or other inequitable conduct and that such monopolies are kept within their legitimate scope."

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[5]"See recommendations of the Department of Justice with respect to provisions against abuses in the patent field in Final Report and Recommendations of the Temporary National Economic Committee, S 35, 77th Cong. 1st sess, Exhibit No. 2794, p. 249."

Precision Instrument Mfg. Co. v. Automotive Maintenance Machinery Co., 324 U.S. 806 (1945).

In *Blonder-Tongue Lab, Inc. v. Univ. of Illinois Foundation*, 402 US 313 (1971) this Court took substantial space to discuss the economic consequences of patent litigation:

> " '. . . A patent shall be presumed valid. The burden of establishing invalidity of a patent shall rest on a party asserting it.' "
>
> If a patentee's expense is high, though he enjoys the benefits of the presumption of validity, the defendant in an infringement suit will have even higher costs as he both introduces proof to overcome the presumption and attempts to rebut whatever proof the patentee offers to bolster the claims. In testimony before the Senate subcommittee considering patent law revision in 1967, a member of the President's Commission on the Patent System discussed the financial burden looming before one charged as a defendant in a complex infringement action in terms of amounts that sometimes run to "hundreds of thousands of dollars."
>
> Statistics tend to bear this out. Patent suits constitute between 1% and 2% of the total number of civil cases filed each year in the District Courts. Despite this relatively small figure, and notwithstanding the overwhelming tendency to try these suits without juries, patent cases that go to trial seem to take an

> inordinate amount of trial time. While in 1961 a Senate staff report stated that the "typical patent trial, without a jury, was completed in 3 days or less," recent figures indicate that this description of the time required is today inaccurate. And time—particularly trial time—is unquestionably expensive."
>
> *Blonder-Tongue, supra* at p. 337

In *Blonder-Tongue, supra*, this Court specifically overruled *Triplet v. Lowell*, 297 US 638 (1936). *Triplet* allowed the presumption of validity to be used by a patent holder in one infringement suit even though a *previous judgment on the same patent* resulted in a judgement that the patent was invalid.

> "In each successive suit the patentee enjoys the statutory presumption of validity, and so may easily put the alleged infringer to his expensive proof. As a consequence, prospective defendants will often decide that paying royalties under a license or other settlement is preferable to the costly burden of challenging the patent."
>
> *Blonder-Tongue, supra*, at p. 338

In the instant case the patent iself was dissolved on technical grounds (invalidity for obviousness under 35 USC §103) a fact only incidental to this Petition. It is the patent *power* (enforceability) and the duty owed to the Federal Court system in weilding that power that Petitioner asks this Court to examine. If the Court would permit an analogy to the First Amendment the effect of the Circuit Court's holding would be as if the

First Amendment's guarantee of free speech allowed shouts of fire in a crowded theatre, with no concurrent duty to the public, and with no right to redress injury caused by willful malicious conduct.

The Petitioner Cementcraft prays that a Writ of Certiorari issue to review the judgment of the Court of Appeals for the Federal Circuit.

Respectfully submitted,

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CERTIFICATE OF MAILING

I HEREBY CERTIFY that three true and correct copies of the foregoing is being deposited with the United States Postal Service as first class mail in an envelope addressed to: Joseph Zallen, counsel for Concrete Unlimited, Inc., and Carlos Pasqual at 2455 East Sunrise Boulevard, Fort Lauderdale, Florida 33304 on this 12th day of May, 1986.

EUGENE F. MALIN

Eugene F. Malin

Appendix

INDEX TO APPENDIX

	Page
Judgment U.S. Court of Appeals for Federal Circuit	3-9
Rehearing Order U.S. Court of Appeal for Federal Circuit	10
Final Judgment U.S. District Court Southern District of Florida	11-14
Amended Order	15-16
Finding of Fact and Conclusions of Law	17
Finding of Fact: 1	17-18
2-5	18-19
6-8	19-20
9-13	20-21
14-18	21-22
19-24	22-23

INDEX TO APPENDIX (CONTINUED)

		Page
	25-28	23-24
	29-32	24-25
	33-37	25-26
	38-40	26-28
	41	28
	42-47	28-29
	48-53	29-30
	54-58	30-32
	59-60	32-33
	61-66	33-34
	67-68	34
Conclusions of Law:	1-7	35-36
	8-10	36-37
	11-15	37-38
	16-18	38-39
	19-22	39

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

No. 85-2029
81-6083 CIV-Gonzalez

CONCRETE UNLIMITED, INC.,
AND
CARLOS PASCUAL,
Plaintiffs-Appellants

vs.

CEMENTCRAFT, INC.,
Appellee.

JUDGMENT

ON APPEAL from the U.S. DISTRICT COURT OF FLORIDA, SOUTHERN DISTRICT

This CAUSE having been heard and considered, it is

ORDERED and ADJUDGED: AFFIRMED IN PART, REVERSED IN PART.

DATED November 14, 1985

ENTERED BY
ORDER OF THE COURT
Francis X. Gindhart, Clerk

/s/ Francis X. Gindhart
Clerk

ISSUED AS A MANDATE: February 27, 1986

UNITED STATES COURT
OF APPEALS FOR THE
FEDERAL CIRCUIT

CONCRETE UNLIMITED INC., and
CARLOS PASCUAL,

Appellants

v.

CEMENTCRAFT, INC.,

Appellee

Appeal No. 85-2029

Joseph Zallen, of Fort Lauderdale, Florida, argued for appellants.

Eugene Malin, Malin, Haley, McHale & Barron, P.A., of Fort Lauderdale, Florida, argued for appellee. With him on the brief was *Edward F. McHale*.

Appealed from: United States District Court
for the Southern District of Florida

Judge Gonzalez

UNITED STATES COURT
OF APPEALS FOR THE
FEDERAL CIRCUIT

CONCRETE UNLIMITED INC., and
CARLOS PASCUAL,

Appellants,

v.

CEMENTCRAFT, INC.,

Appellee.

Appeal No. 85-2029.

DECIDED: November 14, 1985

Before RICH and DAVIS, *Circuit Judges*, and COWEN, *Senior Circuit Judge.*

RICH, *Circuit Judge.*

This appeal is from the January 3, 1985, Order of the United States District Court for the Southern District of Florida holding that United States Patent No. 3,617,028 for "Precast Reinforced Concrete Post and Rail Assembly," granted to Carlos M. Pascual, et al., president of Concrete Unlimited, the licensee (collectively, Concrete Unlimited), is invalid and not infringed by Cementcraft, Inc. (Cementcraft); that Concrete Unlimited competed unfairly by enforcing its invalid patent and awarding $150,000 damages to Cementcraft therefor; and that Concrete Unlimited did not commit "fraud in the Patent Office." We affirm in part and reverse in part.

Background

Concrete Unlimited manufactures and installs concrete balconies assembled from precast elements in buildings such as high rises in Florida. The application for the patent in suit was filed 28 April 1970 as a continuation-in-part of a parent application filed 13 March 1969, and issued as 3,617,028 (the '028 patent) on 2 November 1971. The '028 patent discloses a precast reinforced concrete post and railing assembly for installation on concrete balconies. The posts include an embedded steel reinforcing rod extending below the bottom of each post that forms an anchoring dowel. The posts have longitudinal grooves into which the panels are slid from the top of the posts. When the panels are in place, the top panel extends above the top of the posts.

Cementcraft copied Concrete Unlimited's railing and this suit for infringement was filed on 13 Feruary 1981. Cementcraft counterclaimed that the '028 patent was invalid and that Concrete Unlimited competed unfairly by attempting to enforce its patent because it was fraudulently obtained.

In the spring of 1968, Concrete Unlimited installed the "Coral Ridge" balcony railing which is similar to the railing disclosed in the '028 patent except that the former's top panel does not extend above the top of the posts and that the Coral Ridge structure has a concrete cap, not found in the structure of the '028 patent. The Coral Ridge design was on file with the Fort Lauderdale Building and Zoning Department as early as 31 August 1967 in connection with construction of the building in which the railing was used. That constitutes a public use that qualifies as "prior art" under 35 USC 103.

OPINION

A. Obviousness

The district court concluded that the balcony railing as defined in claims 1 and 2 of the '028 patent did not comport with the §103 requirement for nonobivousness after making the factual inquiries required by *Graham v. John Deere*, 383 U.S. 1, 17 (1966). The district court properly recognized the scope and content of the prior art: the Coral Ridge railing, in public use more than one year before the filing of the parent application and United States Patent No. 1,012,868 for "Concrete Fence," issued December 26, 1911, to Laney (Laney). The district court also properly recognized the differences between the prior art and the claims at issue: "The scope and content of the prior art shows that the Coral Ridge balcony . . . discloses all aspects and structure of claims one and two in issue except that the panel is higher than the posts which is shown in the Laney patent 1,021,868." The court further stated that "[c]laims 1 and 2 of U.S. Patent 3,617,028 are obvious over Coral Ridge balcony railing . . . in view of Laney . . . or in view of the fact that extending the panels above the top of the post is an unobvious [sic] matter of choice by one skilled in the art.[11]*

*This is paragraph 45 of Defendant's Proposed Findings of Fact and Conclusions of Law. The director court's order, in large part, is simply a recital by number of which paragraphs of the former document the court adopted or struck. The court, however, did neither to paragraph 45; that paragraph's status was left hanging in limbo. From the contextual totality of the Order, it is clear that paragraph 45, except for the portion that we marked "[sic]" which we believe was a mistake by Cementcraft's counsel, is in complete accord with the district court's intended result, and we believe our quotation of paragraph 45 as accepted by the court to be proper.

We agree with the district court that the subject matter of the '028 patent would have been obvious to a person of ordinary skill in the art at the time the invention was made. At the least, the combined teachings of the Coral Ridge railing and Laney, both concrete wall structures, would suggest to one of ordinary skill in the art that the uppermost panel could extend above the top of the posts that support it and that this would be simply a matter of obvious choice. We therefore affirm the holding of invalidity based on the determination of obviousness under §103.

B. Unfair Competition

The district court concluded that Concrete Unlimited's actions during the present litigation "may be considered in regard to unfair competition" and that Concrete Unlimited is "guilty of acts of unfair competition by taking business away from the Defendant by threats and infringement actions based on the fraudulently obtained patent." That conclusion, asserted by Cementcraft, effectively means that Concrete Unlimited should not have enforced its patent rights during the course of this litigation because its patent was *later* held invalid.

The '028 patent carried a presumption of validity into this litigation that placed the burden of persuasion by clear and convincing evidence to the contrary upon the challenger. 35 USC 282; *SSIH Equipment, S.A. v. United States International Trade Commission*, 718 F.2d 365, 375, 218 USPQ 678, 687 (Fed. Cir. 1983). Concrete Unlimited had the right to exclude others from making, using, and selling the invention and to enforce those rights until the '028 patent was held invalid. Concrete

Unlimited did only what any patent owner has the right to do to enforce its patent, and that includes threatening alleged infringers with suit. *See* 35 USC 281. Concrete Unlimited's actions in this case were not unfair competition, and we reverse the district court's holding to the contrary. The issue of unfair competition damages is therefore moot.

Conclusion

The judgment of the district court with respect to invalidity is *affirmed* and to unfair competition is *reversed.*

AFFIRMED IN PART and REVERSED IN PART

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

No. 85-2029

CONCRETE UNLIMITED, INC.,
and CARLOS PASCUAL,
Appellants

vs.

CEMENTCRAFT, INC.
Appellee.

O R D E R

A petition for rehearing and a suggestion for rehearing in banc having been filed in this case,

UPON CONSIDERATION THEREOF, it is Ordered by the court that the petition for rehearing be, and the same is hereby, Denied.

The suggestion for rehearing in banc is declined.

FOR THE COURT

/s/ Francis X. Gindhart
Francis X. Gindhart, Clerk

February 18, 1986
Date

cc: Joseph Zallen
Eugene F. Malin

[FILED BY D.C. 1-3-85]

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

CASE NO.: 81-6083-CIV-GONZALEZ

CONCRETE UNLIMITED, INC.,
Plaintiff,

vs.

CEMENTCRAFT, INC.,
Defendant.

CEMENTCRAFT, INC.,
Third-Party Plaintiff,

vs.

CARLOS PASCUAL,
Third-Party Defendant.

FINAL JUDGMENT

THIS CAUSE has come before the Court upon the parties' proposed findings of fact and conclusions of law. The Court has considered the proposals and the record, and reviewed its own notes of the trial on the merits, and being otherwise duly advised, it is

ORDERED AND ADJUDGED that the defendant/third-party plaintiff's proposed findings of fact and conclusions of law, as modified by this order, be and the same are hereby ADOPTED as the Court's findings of fact and conclusions of law. The plaintiff and third-party defendant's objections to said findings of fact and conclusions of law are noted and overruled.

Accordingly, final judgment be and the same is hereby entered on behalf of Cementcraft, Inc. and against Concrete Unlimited, Inc. with respect to the issue of patent infringement. The Court finds that Cementcraft, Inc. did not infringe Concrete Unlimited, Inc.'s patent because said patent is invalid for the reasons stated in defendant's proposed findings of fact and conclusions of law adopted as modified by this order. The Court further finds that the evidence fails to establish that Concrete Unlimited, Inc. or Carlos Pascual committed fraud by knowingly misrepresenting facts to the Patent and Trademark Office with the intent to deceive said Office. It is further

ORDERED AND ADJUDGED that the final judgment be and the same is hereby entered in favor of Cementcraft, Inc. and against Concrete Unlimited, Inc. and Carlos Pascual with respect to the issue of unfair competition. The Court finds that Concrete Unlimited, Inc. and Carlos Pascual did engage in unfair competition by knowingly and intentionally taking business away from Cementcraft, Inc. based upon an invalid patent. It is further

ORDERED AND ADJUDGED that Cementcraft, Inc.'s claim for punitive damages be and the same is hereby STRICKEN, and that Cementcraft, Inc's motion for attorney's fees be and the same is hereby DENIED.

In accordance with the findings of fact and conclusions of law recited above, it is further

ORDERED AND ADJUDGED that:

1. The Court adopts paragraphs 1-34, 36, 37, 40-44, and, 49 of defendant's proposed findings of fact.

2. The Court strikes paragraphs 35, 38, 46, 47, and 48 of defendant's proposed findings of fact.

3. The Court adopts paragraphs 39 and 60 of defendant's proposed findings of fact, but cautions that they shall not be interpreted to suggest that Concrete Unlimited, Inc. or Carlos Pascual committed fraud in obtaining its/his patent, which is adjudged invalid by this order.

4. The Court adopts paragraphs 50-59, 61-64, and 68 of defendant's proposed findings of fact.

5. The Court strikes paragraph 65, 66, and 67 of defendant's proposed findings of fact.

6. The Court adopts paragraphs 1-7, 11-13, 21 and 22 of defendant's proposed conclusions of law.

7. The Court strikes paragraphs 9, 16, 19 and 20 of defendant's proposed conclusions of law.

8. The Court adopts paragraphs 8, 10, 15 and 18 of the defendant's proposed conclusions of law, but cautions that these paragraphs shall not be interpreted to suggest that Concrete Unlimited, Inc. or Carlos Pascual committed fraud in obtaining its/his patent, which is adjudged invalid by this order.

9. Paragraph 14 of defendant's proposed conclusions of law is amended to read that defendant Cementcraft, Inc. was damaged by said unfair competition and,

therefore, final judgment for the sum of One Hundred Fifty Thousand and 00/100: Dollars ($150,000.00) shall be entered in favor of Cementcraft, Inc. and against Concrete Unlimited, Inc. and Carlos Pascual. This sum represents the amount Cementcraft, Inc. would have been paid for supplying the materials for Building G and H, along with the Clubhouse, at the Meadowbrook development; Cementcraft, Inc.'s cost in requiring its principal employee to interrupt his regular work and concentrate on obtaining information in anticipation of this litigation; and the business Cementcraft, Inc. could reasonably have expected to secure during the normal course of business for the two years preceding plaintiff's filing of this lawsuit but for Concrete Unlimited, Inc.'s unfair competition.

10. The Court strikes paragraph 17 of defendant's proposed conclusions of law.

DONE AND ORDERED in chambers at Fort Lauderdale, Florida, this 3rd day of January, 1985.

/s/ Jose A. Gonzalez Jr.
UNITED STATES DISTRICT JUDGE

cc: counsel of record

[Filed 1-29-85]

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

CASE NO.: 81-6083-CIV-GONZALEZ

CONCRETE UNLIMITED, INC.,
Plaintiff,

v.

CEMENTCRAFT, INC.,
Defendant.

CEMENTCRAFT, INC.,
Third-Party Plaintiff,

vs.

CARLOS PASCUAL,
Third-Party Defendant.

ORDER

THIS CAUSE has come before the Court upon the plaintiff's motions to alter or amend the final judgment dated January 3, 1985, and for oral argument on the matter. The Court has reviewed the motions and the record, and has revisited its final judgment in this case, and being otherwise duly advised, it is

ORDER AND ADJUDGED that the plaintiff's motion for oral argument on this matter be and the same is hereby DENIED. It is further

ORDERED AND ADJUDGED that the plaintiff's motion to alter or amend the final judgment entered by this Court and dated January 3, 1985, be and the same

is hereby DENIED. *See* ed.R.Civ.P 59(a). Although the Court ruled that neither Concrete Unlimited, Inc. nor Carlos Pascual committed fraud in obtaining the patent in question, the Court did specifically hold that these persons used the patent in question to engage in unfair competition with Cementcraft, Inc. There was testimony at trial that Concrete Unlimited, Inc. and/or Carlos Pascual threatened to, and in fact did, deprive Cementcraft of business because Cementcraft planned to use certain balcony railings that Concrete Unlimited, Inc. and/or Carlos Pascual unlawfully claimed as their own by virtue of their invalid patent. This example of plaintiff's unfair business practices is not intended to be inclusive of all the evidence in support of the Court's conclusion that Concrete Unlimited, Inc. and/or Carlos Pascual engaged in unfair business practices. It is further

ORDERED AND ADJUDGED that Cementcraft's motion to amend or alter the final judgment entered by this Court be and the same is hereby DENIED.

DONE AND ORDERED in chambers at Fort Lauderdale, Florida, this 29th day of January, 1985

/s/ Jose A. Gonzalez Jr.
UNITED STATES DISTRICT JUDGE

cc: counsel of record

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

CASE NO. 81-6083-CIV-JAG

CONCRETE UNLIMITED, INC.,
Plaintiff,

vs.

CEMENTCRAFT, INC., et al.,
Defendants.

CEMENTCRAFT, INC.,
Third Party Plaintiff,

vs.

CARLOS PASCUAL,
Third Party Defendant.

DEFENDANT'S PROPOSED FINDINGS OF FACT AND CONCLUSIONS OF LAW

COMES NOW, the Defendant Cementcraft, Inc., and files its Proposed Findings of Fact and Conclusions of Law.

FINDINGS OF FACT

The court makes the following findings of fact after careful consideration, reflection and evaluation of the evidence presented in the trial of the above case.

GENERAL

1. This is an action under 35 USC 271 for infingement of U.S. Patents 3,617,028 (Plaintiff's Exhibit

1) (Infringement of U.S. Patent 3,554,495, Defendant's Exhibit 1, The Original Complaint was filed on February 13, 1981 and alleged infringement of U.S. Patent 3,554,495 an Amended Complaint was filed by leave of Court on June 3, 1981; an Amended Counterclaim and Third Party Complaint for invalidity and unfair competition by reason of the use of a fraudulently obtained patent was filed October 19, 1983.

2. Evidence in regard to infringement of claims 1 and 2 only of U.S. Patent 3,617,028 was entered.

3. The counterclaim alleged invalidity of claims 1 and 2 of U.S. Patent 3,617,028 and noninfringement of claims 1 and 2 by reason of invalidity in view of prior art not before the Patent Examiner; invalidity of both U.S. Patent No. 3,617,028 and U.S. Patent No. 3,554,495 by reason of fraud on the U.S. Patent Office; Unfair Competition by reason of the use of the fradulently obtained patent; actual damages for unfair competition by use of a fraudulently obtained patent; request for attorneys fees under 35 USC 185 and punitive damages for unfair competition by willful and wanton facts against a competitor by use of a fraudulently obtained patent.

4. The inventors, Carlos Manual Pascual, (Third Party Defendant), Walter Rothman and David Bach filed a first patent 3,554,495 on March 13, 1969 and signed a first declaration stating that there were no publications, public use or sale, prior to one year (March 13, 1968) from the date of the filing of said patent application. No disclosure was made in this application of the prior Coral Ridge Balcony railing, Defendant's Exhibit 34, 34A; or the 1966 illustration of the dowel

extending from the bottom of the balcony posts, Defendant's Exhibit 12.

5. The inventors, Carlos Manual Pascual, hereafter Carlos Pascual (Third Party Defendant), Walter Rothman and David Bach as inventors filed a second continuation-in-part patent 3,617,028 on April 28, 1970 and signed a *second* declaration or oath stating that there were no publications, public use or sale prior to one year from the date of the filing of this patent application or the prior patent application. No disclosure was made for the second time in this application of the prior Coral Ridge balcony railing, Defendant's Exhibit 34, or the 1966 illustration of the dowel extending from the bottom of the balcony post, Defendant's Exhibit 12. A 1970 illustration of a dowel extending from the bottom of the balcony post was entered with argument in an amendment alleging newness of the dowel for purposes of misleading the Patent Office and reversing the prior office action that rejected all claims, Defendant's Exhibit 2.

6. That Concrete Unlimited, plaintiff herein, is a resident and corporation organized and existing under the laws of the State of Florida having a regular and established and principal place of business in Broward County, Florida.

7. That Cementcraft, Inc., defendant herein, is a resident and corporation organized and existing under the laws of the State of Florida having a regular and established and principal place of business in Broward County, Florida and assignee of U.S. Patent 3,617,028.

8. That the main inventor Carlos Pascual, Third Party Defendant, and the president of plaintiff corporation

were the same person. Carlos Pascual was president since 1962 until after this suit was filed. Carlos Pascual is the main inventor of the joint inventors who signed the declarations in the patents in issue, U.S. Patent No. 3,617,028, and the prior U.S. Patent 3,554,495. Carlos Pascual had knowledge of the patent prosecution in U.S. Patent No. 3,617,028. The plaintiff corporation was exclusive licensee and is assignee owner of U.S. Patent 3,617,028 from the inventors. All prosecution acts by Third Party Defendant, Carlos Pascual, were known to the plaintiff corporation.

9. The plaintiff and defendant, Cementcraft, Inc., were and are competitors for balcony railings in the same area.

10. Other defendants, Montella Construction Co. and Meadowbrook Lakes Construction Co., Inc., which were customers of both the Plaintiff corporation and the defendant, Cementcraft, were dismissed from this law suit after settlement with the plaintiff.

11. The claimed structure in the patent in issue, U.S. Patent 3,617,028 deals with a precast reinforced concrete post and railing assembly for installation on concrete balconies comprising posts and panels. Briefly the posts include an embedded steel reinforcing rod extending below the bottom of each post to form an anchoring dowel. The posts have longitudinal grooves to slidingly receive the panels. The groove extending through the top surface of the post from a predetermined distance from the bottom of the posts. The panels are slidingly interposed and held in the grooves above the balcony. The panels include reinforcing members and means. When said panels are slidingly positioned between

posts the upper portion of the panels projects above the top of the posts.

12. That since 1959 Concrete Unlimited has been in the business of manufacturing concrete balcony railings for installation in high rise buildings.

13. That defendant, Cementcraft, Inc., has also been engaged in the same activity since the 1960's.

PATENT INVALIDITY AND FRAUD

14. Carlos Pascual stated that he knew that the plaintiff used dowels projecting out of the bottom of posts for connecting the same to balconies as early as 1961.

15. Carlos Pascual admitted to the authenticity of the Public Documents showing drawings of its balcony railing design that had a publication date of August 1967, Defendant's Exhibit 34; 34A, for an installation at Coral Ridge Towers South, Fort Lauderdale, Florida. The Coral Ridge balcony railing shown in a publication dated 1967, Defendant's Exhibit 34; 34A, was recorded into the Fort Lauderdale Building and Zoning Department on August 31, 1967 as testified to by Mr. Bennett.

16. That on April 28, 1970 a continuation-in-part application was filed by Carlos Manual Pascual, (the Third Party Defendant), Walter Rothman and David Bach for Letters Patent on an improved precast concrete balcony rail structure (sold commercially as Uni-Rail). The original application Serial No. 807,843 was filed March 13, 1969 now U.S. Patent 3,554,495.

17. A second oath or declaration was signed by all inventors (see Defendant's Exhibit 2) stating that there was no publication, public use or sale prior to one year from the filing date of the application or the original application, that is, prior to March 13, 1968. Carlos Pascual signed two separate declarations, one for U.S. Patent 3,617,028 and another for 3,554,495, neither disclosed the Coral Ridge balcony railing of 1967, see Defendant's Exhibits 1 and 2.

18. The word "comprising" means that the invention includes the structure which is explicitly recited in the claim but does not exclude the presence of additional structures not recited in the claim. The word "consisting" means that the claim is closed and excludes all additional structures.

19. No disclosure of the Coral Ridge balcony or the recorded plans were made to the U.S. Patent Office by the patent applicants in regard to the patent in issue U.S. Patent 3,617,028 and the prior U.S. Patent 3,554,495, see Defendant's Exhibits 1 and 2, and the two declarations of disclosure filed therein under 18 USC 1001.

20. No disclosure of prior art was made showing the use of a dowel protruding from the bottom of a post to connect a post to balcony before the critical date of March 13, 1968, see Defendant's Exhibits 1 and 2.

21. U.S. Patent 3,617,028 was initially rejected as an application by the Patent Office under the teaching of prior patents listed in the U.S. Patent No. 3,617,028, Defendant's Exhibit 4.

22. After the initial rejection of the application for U.S. Patent 3,617,028 the inventors Carlos Pascual, Rothman and Bach filed a first amendment to their application through their agent and attorney's Stevens, Davis, Miller & Mosher.

23. The first amendment recited in argument that the use of a steel reinforcing rod inside each of two concrete posts forming a protruding dowel which when connected supports a middle concrete panel that slides into place in grooves in the two posts.

24. The first amendment recited in argument that the reinforcing rods extend through the bottom of the posts to form an anchoring dowel to be attached in the concrete floor of the balcony.

25. Said first amendment argument in U.S. Patent 3,617,028 substantially aided in the allowance of patent claims 1 and 2 from the patent office.

26. A schematic illustration in a brochure was submitted with said first amendment argument—by the applicants—demonstrating the dowel feature and reinforcing rod which was the significant subject of the first amendment. The brochure bore a misleading date of 1970.

27. Nevertheless the plaintiff had a like schematic drawing at the time in another brochure with a 1966 copyright date on the brochure. Defendant's Exhibit 12. The Coral Ridge balcony railing, Defendant's Exhibit 34; 34A also illustrated the dowel feature.

28. On November 2, 1971 the United States Patent and Trademark Office issued Letters Patent number 3,617,028 for the Uni-Rail device which consists of two precast concrete posts containing the previously mentioned reinforcing rod and dowel. The concrete posts are grooved on opposing sides so as to permit a central concrete panel to be slide into place above the balcony between the posts, all of which was disclosed in the previously mentioned Coral Ridge balcony railing, Defendant's Exhibit 34; 34A that was published in August 1967 and installed in the spring of 1968. The Coral Ridge balcony railing did not show the panels positioned above the top of the posts. The positioning of the panels above the posts is only a matter of an obvious choice of one skilled in the art.

29. The omission of the cap and their function in the Coral Ridge balcony railing where the cap is not needed would be obvious to the ordinarily skilled person in the art. The claims 1 and 2 use the term "comprising".

30. The court finds that the subject matter of patent 3,617,028 except for the panels being positioned above the posts, were made public more than one year prior to application filing date of April 28, 1970 and more than one year prior to the filing date of March 13, 1969 of the original patent application with the United States Patent and Trademark Office now U.S. Patent 3,554,495. From at least as early as August 31, 1967, Defendant's Exhibit 34A, the subject of patent claims 1 and 2 in patent number 3,617,028 were contained in public records filed with the Fort Lauderdale Building and Zoning Department in connection with the installation of concrete balcony railings on a high rise building in

Fort Lauderdale, Florida known as Coral Ridge Towers South.

31. The plaintiff corporation *itself* supplied the precast balcony railings mentioned in the preceeding paragraph 30 while Carlos Pascual was president. The building itself, Coral Ridge Towers South, was not insignificant, being a 15 story high rise building located in Fort Lauderdale, Florida in 1967, a building which, at the time, was quite prominent on the landscape.

32. Carlos Pascual president of plaintiff corporation and one of the inventor's and applicant's does not allege that the building was overlooked or forgotten by him in filing the patent application but argued by way of affidavit that the concrete balcony railings were significantly different from that described in the patent, see Defendant's Exhibit 39.

33. Neither the plaintiff nor the Third Party Defendant entered evidence of good faith or excusable subjective intent in regard to the non-disclosures or the positive fraud in regard to the first amendment argument and the dowel.

34. That prior to filing the instant law suit Carlos Pascual was aware personally that the subject matter of Patent No. 3,617,028 was in the public domain at the time the patent application was filed.

35. Proof of actual state of mind of an applicant or person associated with or representing an applicant is not required. The element of intent may be proven by a showing of acts whose natural consequences are presumably intended by the actor, which in this case

were a) non disclosure of significant known prior art after two contrary declarations, b) submission of argument and an exhibit contrary to the facts and dates involved and c) unrelenting continuation of a claim of patent infringement on a patent obviously obtained by fraud through trial *Rohm & Hass Co. v. Crystal Chemical Co. et al.*, ____ F.2d ____, 220 USPQ 289, copy attached.

36. The socioeconomic value of U.S. Patent 3,617,028 is minimal.

37. The plaintiff and Third Party Defendant did not inform the Patent Office or this Court of the accurate facts or did it inform the Patent Office or this Court of the untrue or misleading assertions made to the Patent Office in regard to Patent 3,617,028.

38. The contention by plaintiff and Third Party Defendant that the Coral Ridge balcony was not significant is rejected. Because the amendment was an intentional material misrepresentation that stressed the novelty of the dowel and rod shown in the Coral Ridge balcony railing plans, shown in a 1966 copyrighted brochure, the proximity in time of the Coral Ridge Towers South building construction to the application filing date is significant, the closeness of the design of the concrete balcony railings of the Coral Ridge Towers South to the patent claims 1 and 2 is significant, the insertion of a brochure dated 1970 and illustrating the dowel in the amendment when an almost identical display of the dowel in another brochure with a 1966 copyright date existed is significant—this court finds fraud on the Patent Office.

39. Carlos Pascual not only negatively did not disclose the existing Coral Ridge balcony railing in the U.S. Patent 3,617,028 and the original U.S. Patent 3,554,495 but positively introduced evidence, Defendant's Exhibit 2, of a dowel illustration with a 1970 date to positively mislead the Patent Examiner.

40. Patent claims 1 and 2 of Patent No. 3,617,028, the patent in issue, recite that the subject matter was "comprising" certain elements of the patent application. All pertinent witnesses in the case including those called by the plaintiff corporation agree that the concrete balcony railings that were installed at Coral Ridge Towers South, and made public at least as early as August of 1967, are close to the U.S. Patent 3,617,028, claims 1 and 2 which are in issue. There are only two differences that need be noted:

a. The railings which were installed at Coral Ridge Towers South utilized a concrete cap which fit on top of the two posts over the central panel of the railing. Nevertheless as the patent claim clearly calls for a device which comprises structural features of the railing at Coral Ridge Towers South, additional structure does not avoid invalidity.

b. The patent claim calls for the central concrete panel to extend a number of inches above the concrete posts that support that panel. While the railing at Coral Ridge Towers South did not have a panel which extended above the posts the court finds that this aspect is clearly obvious as a matter of choice to one skilled in the art to allow the railing to be modified with the panel above the posts and excluding the additional cap in the Coral Ridge railing; or obvious to modify the

Coral Ridge railing because its presence is shown in the prior art patent to Laney, U.S Patent No. 1,012,868, dated December 26, 1911, Defendant's Exhibit 3.

41. The Coral Ridge balcony railing, Defendant's Exhibit 34A,

The brochure showing the dowel illustration, Defendant's Exhibit 12,

the 1966 Dowel drawing illustration, Defendant's Exhibit 12,

The Laney Patent No. 1,012,868 (1911), Defendant's Exhibit 3; and

Other patents Defendant's Exhibits 13, 17, 18, 19 and 20 are better and/or more significant prior art references than those cited by the patent Examiner in the prosecution of U.S. Patent 3,617,028 or U.S. Patent 3,554,495.

42. The skill in the art of fence and balcony railing at the time of the invention is shown by:

the Coral Ridge balcony, Defendant's Exhibit 34A;

the 1966 Dowel illustration, Defendant's Exhibit 12;

the Laney Patent No. 1,021,868 (1911), Defendant's Exhibit 3; and

the other Patents Defendant's Exhibits 13, 17, 18, 19 and 20.

43. The scope and content of the prior art shows that the Coral Ridge balcony, Defendant's Exhibit 34, discloses all aspects and structure of claims 1 and 2 in issue except that the panel is higher than the posts which is shown in the Laney Patent 1,021,868.

44. Claims 1 and 2 of U.S. Patent 3,617,028 are readable on the defendant's product. No evidence as to infringement of other claims or other patents were entered.

45. Claims 1 and 2 of U.S. Patent 3,617,028 are obvious over Coral Ridge balcony railing, Defendant's Exhibit 34, in view of Laney, Defendant's Exhibit 3, or in view of the fact that extending the panels above the top of the post is an unobvious matter of choice by one skilled in the art.

45. All the claims in U.S. Patent 3,617,028 are invalid by reason of fraud in the procurement of the Patent 3,617,028.

47. The Patent 3,617,028 was procured by both negative and positive fraud on the U.S. Patent Office.

48. All the claims in U.S. Patent 3,554,495 are invalid by the same fraudulent non disclosure of the prior art Coral Ridge balcony railing as the copending continuation in part patent 3,617,028.

49. Although the Defendant's structure is readable on claims 1 and 2 of U.S. Patent 3,617,028 there is no infringement of invalid claims.

UNFAIR COMPETITION

50. In 1981 Concrete Unlimited had contracted to supply precast concrete balcony railings to Hillcrest a high rise development located in Hollywood, Florida.

51. Because of problems with the balcony's materials the Hillcrest development contracted with Cementcraft, Inc. to complete the supply of balcony's materials for precast concrete railing. At that time the contractor asked Cementcraft to supply concrete balcony railings with the same asthetic appearance which Concrete Unlimited had already installed on previous buildings.

52. During this time Cementcraft also contracted with Meadowbrook, a large development also located in Hollywood, Florida for the supply of similar precast concrete balcony railing. Cementcraft did supply concrete balcony rails for a plurality of buildings at Meadowbrook.

53. Thereafter, the instant case was filed, which joined Meadowbrook and the general contractor for Hillcrest, Montella Construction Co., as defedants with Cementcraft, Inc. claiming patent infringement. Concrete Unlimited complained that it had the sole right to sell the product that was described in patent number 3,617,028.

54. The plaintiff notified others and customers of infringement and instituted another patent infringement suit on the same patent in the Middle District of Florida against another defendant.

55. Following the institution of the instant law suit Meadowbrook and Montella settled with Concrete Unlimited in a stipulation of dismissal agreement which required that each of those defendants buy all future supplies of precast concrete balcony railings from Concrete Unlimited as well as make cash settlement payments to Concrete Unlimited for its claim of patent infringement.

56. That Concrete Unlimited obtained the job of supplying materials for concrete balcony railings to the Meadowbrook development for two high rise buildings and a clubhouse to the exclusion of Cementcraft, only because of its settlement agreement after filing the instant law suit, see Defendant's Exhibits 16; 71.

57. That Concrete Unlimited obtained the exclusive right to supply materials for concrete balcony railings at Hillcrest only because of its settlement agreement with its general contractor (Montella) in the instant law suit, see Defendant's Exhibit 5.

58. That but for the law suit against Meadowbrook Cementcraft would have supplied materials for buildings G, and H, and the Clubhouse in that development, and had in fact already begun stockpiling materials for building G. That the court finds that defendant Cementcraft, Inc. has suffered actual damages because of the conduct of plaintiff in the following manner:

Costs of producing stockpiled materials for the planned supply of building G at Meadowbrook: $2,000.00

Loss of revenue from the Meadowbrook job for buildings G, H and the Clubhouse: $25,700.00, less $2,000.00

59. Because of this law suit the defendant had to expend time through its main employee, Miles Sher, in obtaining record searches of prior railings constructed by the plaintiff for use as a defense of the instant case. The Defendant expended $5,000.00 worth of time from the company in this effort.

The defendant also lost business for over two years because of the institution of this law suit.

60. By his own admission Carlos Pascual president of Concrete Unlimited was advised during discovery—sometime in 1983—that Cementcraft had obtained the plans for the high rise building at Coral Ridge Towers South showing the prior art balcony not disclosed to the Patent Office. Inspite of the identity of the concrete balcony railings which were supplied by Concrete Unlimited to that high rise, and it being in the public domain, Concrete Unlimited and Carlos Pascual individually and as president continued the prosecution of the instant law suit against the defendant Cementcraft. The result of this conduct being that Cementcraft was threatened and forced to refuse inquiries for jobs from sometime in 1982 until final judgment in the instant case. The defendants were required to proceed to defend against a fraudulently obtained patent with a right to exclude others from making, using or selling by infringement suits. In view of this court's finding of obvious fraud on the Patent Office this court finds that Concrete Unlimited has continued to perpetuate this

as a fraud on the court by continuing prosecution of the instant law suit.

61. That inspite of this knowledge Carlos Pascual and the plaintiff carried out his scheme of unfair competition against defendant Cementcraft, Inc. by filing the instant law suit against Cementcraft and others and continuing to prosecute this case through trial.

62. That Carlos Pascual and the plaintiff were able to successfully prevent Cementcraft, Inc. from carrying on its business for over two years under a claim of patent infringement herein.

63. The corporate defendant is worth $40,000.00.

64. Carlos Pascual is worth $400,000.00.

ATTORNEY FEES

65. This is an extraordinary case by reason of the negative and positive acts of fraud on the Patent Office and the unrelenting pursuit of patent infringement through trial on an obviously fraudulently obtained patent 3,617,208.

PUNITIVE DAMAGES

66. The plaintiff and Carlos Pascual, Third Party Defendant, knowingly, willfully and maliciously, with utter disregard used a fraudulently obtained patent to unlawfully compete and to injure the defendant without right and wrongfully use this District Court in an unrelenting manner to further such unlawful actions

without right when the plaintiff and Third Party Defendant are under a continuing obligation to disclose and right the fact of non-disclosure to the Patent Office and to disclose and right misleading or false arguments made to the U.S. Patent Office and therefore in this case has the duty to not pursue infringement of an obviously fraudulently obtained patent until any non-disclosure or false argument was righted. A re-examination procedure is available in the Patent Office to right such matters, if possible.

67. The plaintiff and Third Party Defendant used this Court unjustifiably to further its intent to enforce a fraudulently obtained patent. The plaintiff and Third Party Defendant pursued infringement through trial without concern and with a cavalier attitude. Such outrageous conduct will not be allowed or tolerated.

68. Any finding also deemed to be conclusion of law shall be considered conclusions of law.

CONCLUSIONS OF LAW

1. This Court has jurisdiction and venue over the patent in suit and the unfair competition count.

2. A patent is entitled to a presumption of validity, under 35 USC 282.

3. A patent cannot be infringed if the claims are found to be invalid.

4. Prior art better than and/or more significant than the prior art reviewed by the Patent Examiner may be considered in invalidating a patent.

5. Obviousness is grounds for denying or invalidating patents, under 35 USC 103, which discusses whether the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains.

6. Claims 1 and 2 of U.S. Patent 3,617,028 are obvious under 35 USC 103 over the Coral Ridge balcony railing, Defendant's Exhibit 34A. It is only an obvious matter of choice for one skilled in the art to allow the panels to project over the top of the posts.

7. Claims 1 and 2 of U.S. Patent 3,617,028 are also obvious under 35 USC 103 over Coral Ridge balcony railing, Defendant's Exhibit 34A, in view of Laney (1911) Patent 1,012,868, Defendant's Exhibit 3. It would be

obvious to allow the panels inthe Coral Ridge balcony to project above the top of the posts in view of Laney.

8. The Third Party Defendant, Carlos Pascual, president of the plaintiff corporation, made false material representations to the U.S. Patent and Trademark Office in the patent application for Patent 3,617,028 in his: a) declaration before the Patent Office that the invention was not described in any printed publication or in public use or on sale more than one year prior to the earlier copending application (U.S. Patent 3,554,495) filed March 13, 1969 and, b) falsely represented by positive submission in argument, with an Exhibit with a 1970 date (illustrating a dowel attach to a post), to the U.S. Patent Office to support an argument of patentability in the first amendment, when Carlos Pascual, the Third Party Defendant, and the plaintiff corporation had a 1966 copyrighted brochure illustrating the dowel. All of which was false or made recklessly as a positive assertion without proper knowledge of its truth. The falsity was known to Pascual and the plaintiff corporation that was later licensed under the patent and then assigned the patent. Such actions before the U.S. Patent application, were made with intent it be acted on or relied on; the patent examiner relied on such matters; and the patent was issued and used by both plaintiff and Third Party Defendant to damage and injury of the defendant.

9. All the claims in U.S. Patent 3,617,028 are invalid by reason of fraudulent acts or by grossly negligent acts in utter disregard of truth by the applicant in the prosecution of the patent before the United States Patent Office.

10. The copending prior parent patent 3,554,495 is invalid for the same reasons as set forth in paragraph 8 above.

11. Plaintiff and Defendant are competitors.

12. In this action, the parties have been before the court since 1981. The actions by the plaintiff and the Third Party Defendant during this time may be considered in regard to unfair competition.

13. The plaintiff and Third Party Defendant are guilty of acts of unfair competition by taking business away from the Defendant by threats and infringement actions based on the fraudulently obtained patent.

14. The Defendant, Cementcraft, Inc., was damaged by said unfair competition in the amount of $_____.

15. This is an exceptional case under 35 USC 285 by reason of the Third Party Defendant's withholding of facts from the U.S. Patent and Trademark Office in regard to a) pertinent prior art, that is, Coral Ridge balcony railing, Defendant's Exhibit 34, and the use of a dowel in the end of a balcony post, Defendant's Exhibit 12, when the Third Party knew of said prior art and signed two declarations under 18 USC 1001 in U.S. patent 3,617,028 and 3,554,495 falsely stating it did not know of such prior art; and b) by reason of a positive act of fraud on the U.S. Patent and Trademark Office by misrepresentation in argument of a material fact and displaying a brochure illustrating the dowel connection with a 1970 date, Defendant's Exhibit 2 when a copyrighted 1966 dowel illustration existed in 1966 and the Third Party Defendant was connecting posts to balconies by

such dowels since 1961. Such prior art when discovered renders the patent invalid under 35 USC 103.

16. The plaintiff corporation knew through its president Pascual of the fraud on the U.S. Patent and Trademark Office and thereafter participated in said fraud and sanctioned said fraud by filing suit or continuing in the participating through trial to have the defendant found guilty of infringement on an obviously fraudulently obtained patent.

17. The Defendant Cementcraft Inc. is entitled to attorney fees under 35 USC 285, as this case constitutes an exceptional case because a) the patentee, Carlos Pascual the Third Party Defendant and president of the Plaintiff corporation who became the exclusive licensee and assignees, obtained and used the patent 3,617,028 and Patent 3,554,495 by knowingly and willfully withholding material facts and submitting a false argument with a misleading Exhibit to the U.S. Patent Office which when discovered, renders the patents invalid under 35 USC 103, and/or b) by misrepresenting a fact and submitting a false argument with a misleading Exhibit to the U.S. Patent Office which, when discovered, renders the patent 3,617,028 and/or 3,554,495 invalid by association under 35 USC 103, and/or when such facts and falsities were known, continued a lawsuit for infringement of an obviously fraudulently obtained patent.

18. The Plaintiffs are guilty of knowingly, willfully and with malicious intent committing acts of unfair competition by use of fraudulently obtained U.S. Patent 3,617,028 and continuing this infringement suit on an obviously fraudulently obtained patent when it had a continuing obligation to disclose same to the Patent

Office. Such acts are outrageous conduct injuring the Defendant and this Court.

19. The Plaintiff and Third Party Defendant knowingly, willfully and with malicious intent to unlawfully compete use this District Court to wrongfully use a fraudulently obtained patent.

20. The Plaintiff and Third Party Defendant shall be liable for punitive damages and pay the Defendant $_____ in punitive damages.

21. The Plaintiff and Third Party Defendant are jointly and severably liable for all of the above matters.

22. Any conclusion also deemed to be Findings of Fact shall be considered Finding of Fact.

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No. 85-1925

In The
Supreme Court of the United States
October Term 1985

CEMENTCRAFT, INC.,
Petitioner,

vs.

CONCRETE UNLIMITED, INC. and
CARLOS PASCUAL,
Respondents.

BRIEF FOR RESPONDENTS IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI

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app

QUESTION PRESENTED

Whether a patent owner has the right to enforce his patent during the course of litigation where the patent was not held invalid until the end of the litigation and the patent was not fraudulently obtained.

TABLE OF CONTENTS

	Page
QUESTION PRESENTED FOR REVIEW	i
TABLE OF AUTHORITIES	ii
STATEMENT OF THE CASE	1
SUMMARY OF THE ARGUMENT	2
REASONS FOR DENYING THE WRIT	3
CONCLUSION	4

TABLE OF AUTHORITIES

Page

CASES:

A.E. Staley Manufacturing Co. v. Old Rock Distilling Co., 223 FSupp 798, 140 USPQ 312 (WDMO 1963) 4

Airtex Corp. v. Shelley Radiant Ceiling Co., 536 F2d 145, 190 USPQ 6 (CA7-1976) 4

Anchor Plastics Co., Inc. v. Dynex, 363 FSupp 582, 179 USPQ 264 (DCNJ 1973) 4

Blonder-Tongue Lab, Inc. v. Univ. of Illinois Foundation, 402 US 313 (1971) 3

Brown v. Myerberg, 314 FSupp 939 (1970) 4

S.W. Farber, Inc. v. Texas Instruments, 344 F2d 907, 145 USPQ 304 (CA3 1965), cert. denied, 382 US 843 (1965) 4

Virtue v. Creamer Package Mfg. Co., 277 US 8 (1913) 3

Walker Process Equipment, Inc. v. Food Machinery and Chemical Corp., 382 US 172 (1965) 3

OTHER AUTHORITIES:

35 USC 103 1

35 USC 282 3

STATEMENT OF THE CASE

The statement of the case is accurately stated by the Court of Appeals the substance of which is reproduced below.

Concrete Unlimited manufactures and installs concrete balconies assembled from precast elements in buildings such as high rises in Florida. The '028 patent filed in 1970 and issued in 1971 discloses a precast reinforced concrete post and railing assembly for installation on concrete balconies. The posts include an embedded steel reinforcing rod extending below the bottom of each post that forms an anchoring dowel. The posts have longitudinal grooves into which the panels are slid from the top of the posts. When the panels are in place, the top panel extends above the top of the posts.

Cementcraft copied Concrete Unlimited's railing and this suit for infringement was filed. Cementcraft counterclaimed the '028 patent was invalid and that Concrete Unlimited competed unfairly by attempting to enforce its patent because it was fraudulently obtained.

In 1968, Concrete Unlimited installed the "Coral Ridge" balcony railing deemed similar to the railing disclosed in the '028 patent except that the former's top panel does not extend above the top of the posts and that the Coral Ridge structure has a concrete cap, not found in the structure of the '028 patent. The "Coral Ridge" balcony was held to constitute a public use that qualifies as "prior art" under 35 USC 103.

The District Court found the patent to be obvious under 35 USC 103, specifically found that the patent was

not fraudulently obtained but also found that Concrete Unlimited was nevertheless guilty of unfair competition for enforcing the patent. The Court of Appeals sustained the finding of invalidity but reversed the judgment of unfair competition stating that "Concrete Unlimited had the right to exclude others from making, using or selling the invention and to enforce those rights until the '028 patent was held invalid."

The defendant asked for a re-hearing and a hearing en banc, both of which were denied. After the decision of the Court of Appeals, the defendant Cementcraft moved in the District Court to change the language of the District Court Judgment, which was denied.

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SUMMARY OF THE ARGUMENT

Petitioner has not shown any reason why a Writ of Certiorari should be granted. The Court of Appeals for the Federal Circuit has rendered a decision in this case which is in harmony with the decisions of the Supreme Court and other Courts of Appeal namely, that a patentee has the right to exclude others from making, using and selling an invention and to enforce those rights until or unless the patent is held invalid where the patent has not been obtained by fraud.

———o———

REASONS FOR DENYING THE WRIT

The petitioners have failed to present any special or important reasons why this case should be selected for review.

The petitioner's reference to *Walker Process Equipment, Inc. v. Food Machinery and Chemical Corp.*, 382 U.S. 172 (1965) is inappropriate. The Walker case dealt with a claim under the Sherman Act arising from a fraudulently obtained patent. In the present case, the District Court explicitly found that the patent was not fraudulently obtained.

Likewise *Blonder-Tongue Lab, Inv. v. Univ. of Illinois Foundation,* 402 U.S. 313 (1971) is not applicable since the thrust of that case was that once a patent was ruled invalid the ruling could be asserted as collateral estoppel in a later case.

The petitioner is also distorting the decisions of the Court of Appeals for the Federal Circuit as to the presumption of validity. The Court in this case merely repeated what it has said in many cases namely, that 35 USC 282 confers a presumption of validity to a patent and places upon the challenger the burden of persuasion against validity by clear and convincing evidence.

The decision of the Court of Appeals for the Federal Circuit in this case that "Concrete Unlimited had the right to exclude others from making, using or selling the invention and to enforce those rights until the '028 patent was held invalid" is in harmony with the Supreme Court case of *Virtue v. Creamer Package Mfg. Co.*, 277 US 8 (1913), with the decisions of the other courts of appeal,

as exemplified by *Airtex Corp. v. Shelley Radiant Ceiling Co.*, 536 F2d 145, 190 USPQ 6 (CA7-1976), and *S.W. Farber, Inc. v. Texas Instruments*, 344 F2d 957, 145 USPQ 304 (CA3 1965), cert denied, 382 US 843 (1965) and with leading District Court decisions, as for example, *A.E. Staley Manufacturing Co. v. Old Rock Distilling Co.*, 223 FSupp 798, 140 USPQ 312 (WDMO 1963), *Anchor Plastics Co., Inc. v. Dynex*, 363 FSupp 582, 179 USPQ 264, (DCNJ 1973), and *Brown v. Meyerberg*, 314 FSupp 939, 164 USPQ 505 (SDNY 1970).

CONCLUSION

The Petition for Writ of Certiorari should be denied for want of special or important reasons therefor.

Respectfully submitted,

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